

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6995

BILL NUMBER: SB 357

NOTE PREPARED: Feb 2, 2010

BILL AMENDED: Feb 1, 2010

SUBJECT: Insurance Matters.

FIRST AUTHOR: Sen. Paul

FIRST SPONSOR: Rep. Bardon

BILL STATUS: As Passed Senate

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: *Retention of an Examiner.* This bill makes various changes to the law concerning retention of an examiner by the Department of Insurance (DOI).

Insurance Administrator Licensing Fees. The bill makes changes to insurance administrator licensing fees, small employer health insurance plans, and the office location of a domestic health maintenance organization (HMO).

Independent Adjuster Licensing. The bill provides for independent adjuster licensing.

Public Adjusters. The bill establishes standards of practice for public adjusters.

Professional Employer Organizations (PEOs). The bill defines "working capital" for purposes of the law regulating PEOs. It amends the current law applying to PEOs with respect to registration and financial requirements and unemployment compensation status.

Conversion of a Mutual Insurance Holding Company. It amends a provision concerning the conversion of a mutual insurance holding company into a stock company to replace a reference to the former statute on the demutualization of mutual insurance companies with a reference to the current statute on the demutualization of mutual insurance companies.

Repeals. The bill repeals a provision concerning notice of insurance administrator claim recoding. It repeals a provision that requires the insurance commissioner to adopt standards of practice of public adjusting.

The bill also makes conforming amendments.

Effective Date: July 1, 2010.

Explanation of State Expenditures: *Retention of an Examiner.* The bill provides that the DOI is not required to follow certain requirements specified in the public purchasing law. The DOI works with auditing groups and certain situations requiring the DOI to work quickly in order to investigate financials of insurance companies. Requiring the DOI to submit a request for proposals could slow the process. The provision will have no fiscal impact, but could enhance the responsiveness of the DOI.

Insurance Administrator Licensing Fees. The bill provides that a resident or nonresident must pay an application fee in an amount determined by the Commissioner in order to receive an administrator's license. A \$50 fee is already in place with 204 administrators registered. The provision will allow the DOI to adjust the fee if circumstances require. For instance, if there is a significant increase in the number of individuals who apply for the license, the DOI may experience an increase in administrative expenses associated with processing the increase in applications. The bill would allow the DOI to increase the fee for the license in order to cover increases in administrative expenses. Fee revenue is deposited in the DOI Fund.

Independent Adjuster Licensing. The bill provides for the licensing of independent adjusters. Independent adjusters often work in the state after a disaster. For example, after a hail storm damages numerous residences, the demand for adjusters might exceed the supply of in-state adjusters. The DOI Commissioner may adopt rules to implement the procedure for obtaining licenses. The Commissioner must establish standards and procedures. Rules adopted by the Commissioner may establish fees for temporary emergency licenses. Fees will be designed to cover administrative expenses incurred.

Examinations. An individual who applies for an independent adjuster license must pass a written examination that is developed and conducted according to rules adopted by the Commissioner. The Commissioner may contract with a nongovernmental entity to administer the written examination. An individual must remit with the application to take the written examination, a nonrefundable examination fee in an amount set by the Commissioner or the organization administering the examination. The fee would be designed to cover costs.

Continuing Education. An individual who holds a license must, every two years, satisfactorily complete a minimum of 24 hours of continuing education courses and report the completion of the courses to the Commissioner. The Commissioner may contract with a nongovernmental entity to provide for continuing education credits. These administrative functions would be paid by fees associated with continuing education.

Nonresident Independent Adjuster License. The Commissioner must issue a nonresident independent adjuster license to qualified individuals who remit the nonresident application fee. The Commissioner may verify an independent adjuster's licensure status in another state or request certification of good standing. Fees should cover administrative costs.

Hearings. If the Commissioner refuses an application for licensure or for the renewal of an existing license, the Commissioner must notify the applicant or licensee in writing, advising of the reason for the refusal. The applicant or licensee may make written demand upon the Commissioner for a hearing. The Commissioner may suspend, revoke, or refuse a business entity's independent adjuster license or place a business on probation if, after a hearing, the Commissioner makes certain findings. The impact of this provision will depend on the number and nature of hearings required.

Explanation of State Revenues: *Insurance Administrator Licensing Fees.* The bill provides that the application fee is determined by the Commissioner. Any future changes to the fee are indeterminable. Revenue from the fee is deposited into the DOI Fund, which is used to finance the operations of the DOI.

Independent Adjuster Licensing. An initial fee of \$40 for in-state adjusters would provide for the two-year license. The license would also be subject to renewal fees or fees for re-issuances of licenses. The specific amount of revenue that the fee will generate is indeterminable.

Nonresident Independent Adjuster License. The initial fee will be \$90. The amount of revenue that would be generated by the fee is indeterminable. Fee revenue would be deposited in the DOI Fund.

Penalties. An independent adjuster is subject to penalties for certain actions. After a hearing, the Commissioner may impose a civil penalty of at least \$50 and not more than \$10,000. Other violators of the provisions of the bill may be ordered to cease and desist, and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may not be more than \$50,000 for each violation. All civil penalties imposed and collected are deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOI.

Local Agencies Affected:

Information Sources: Robin Crosson, Legislative Liaison, DOI, 317-234-6293.

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.